

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF PENNSYLVANIA

ARTHUR BEDROSIAN,)	
)	Case No. 2:15-cv-05853
Plaintiff,)	
)	
v.)	
)	
UNITED STATES OF AMERICA, et al.,)	
)	
Defendants.)	
_____)	

UNITED STATES' STATEMENT OF UNDISPUTED MATERIAL FACTS

Bedrosian is a Well-Educated Corporate Executive

1. Arthur Bedrosian ("Bedrosian") is a United States citizen who was born on December 13, 1945. Gov. Exs. E, F.
2. Bedrosian earned an undergraduate degree in political science "as a prelaw student" and graduated from law school, but is not an attorney. Dep. 13:23-25, 14:16-25, 15:1-3, 16:25-17:3.¹
3. Bedrosian has a long history of working in the pharmaceutical industry, starting in 1968. Dep. 16:19-21.
4. Bedrosian ran his own wholesale drug company called Pharmeral. Dep. 43:8-25, 44:1-12.

¹ The designation "Dep." refers to the transcript of Arthur Bedrosian's deposition, the relevant pages of which are attached as Gov. Ex. S.

5. He became the president of a different generic drug and medical device company and worked to raise funds and obtain contracts to keep the struggling company afloat. Dep. 40:7-25, 41:1-25, 42:1-21.

6. In January 2002, Bedrosian became the Vice President of Business Development at Lannett Company, Inc., which manufactures and distributes generic medications. Dep. 17:25, 18:1-3, 23:12-15; www.lannett.com/about-lannett-generic-drug-company.php (last visited Nov. 2, 2016).

7. In that role, he brought in new business for the company, chose drugs to develop, researched market potential for drugs, and assisted with filing applications for new drugs. Dep. 18:4-25, 19:1-5.

8. Five months later, in May 2002, Bedrosian became the president of Lannett and ran the entire company. Dep. 23:12-25, 24:1-14.

9. As president, Bedrosian supervised 100 employees; signed all contracts on behalf of Lannett; reviewed and signed all financial statements, including required SEC filings; researched complex FDA regulations; and decided company policy with respect to FDA filings. Dep. 24:15-25, 25:1-25, 26:1, 27:10-21, 31:15-17.

10. Bedrosian is currently the Chief Executive Officer of Lannett, which involves performing the same responsibilities he performed as president of the company. Dep. 34:5-22.

Bedrosian Owned Two Accounts at UBS

11. In the early 1970s, Bedrosian opened a savings account with Swiss Credit Corporation in Switzerland. Dep. 94:9-25, 95:1-2; Gov. Ex. F.

12. The account transitioned to UBS when Swiss Bank Credit was acquired by UBS. Dep. 94:9-22.

13. At some point, Bedrosian's account changed from a savings account to an investment account. Dep. 227:11-25. The purpose of this change was so that the account would make money. Dep. 227:11-25.

14. Bedrosian maintained two separate accounts at UBS at least as early as 2005. Gov. Exs. G, H.

15. Each account had subaccounts and contained different assets, but the client numbers for each main account ended in 6167 and 5316. Gov. Exs. G, H, J, K.

16. Bedrosian did not ask for UBS to send account statements to him even though he was concerned about the accounts' performance. Dep. 114:12-25, 115:1-17.

17. Instead, he requested that UBS refrain from sending him any correspondence, and UBS charged a fee for that service. Gov. Ex. I.

18. Bedrosian would meet with his UBS banker annually to review his accounts and how well the accounts had performed over the year. Dep. 58:6-21, 59:2-3, 115:3-23.

19. During 2007, both of Bedrosian's UBS accounts had balances of significantly more than \$10,000. Gov. Exs. J, K.

20. In November 2008, Bedrosian requested that his account ending in 6167 be closed and that all assets be transferred to an account at another bank in Switzerland called Hyposwiss. Gov. Ex. L.

21. A request dated December 2, 2008 was drafted to close his account ending in 5316 and transfer all assets to Bedrosian's domestic bank account at Wachovia. Gov. Ex. M.

Bedrosian did not Tell His Accountant about his UBS Accounts Until 1990

22. Bedrosian prepared his own federal income tax returns until 1972. Dep. 46:23-25.

23. Around that time, Bedrosian hired an accountant named Seymour Handleman to prepare his tax returns, and Handleman continued preparing his tax returns until Handleman died in 2006. Dep. 46:10-13; 159:5-10.

24. Bedrosian did not tell Handleman that he had foreign bank accounts until the 1990s. Dep. 66:9-15.

25. The topic of Bedrosian's foreign bank accounts came up while he was discussing with Handleman an article he had read about the United States government tracing postage meter numbers on envelopes to banks in Switzerland. Dep. 66:16-25.

26. When Handleman asked why Bedrosian had never mentioned his foreign accounts before, Bedrosian said "you never asked." Dep. 67:1-5.

27. Handleman's response was to tell Bedrosian that he had been breaking the law for the past 20 years and that "now you have a problem, because for 20 years, you've been not doing the right thing." Dep. 67:7-23.

28. After Handleman told Bedrosian that he was breaking the law, Bedrosian continued to fail to report his foreign bank accounts and planned to leave the issue for his estate to resolve after he died. Dep. 69:7-24, 162:12-19, 203:11-25, 204:1-19.

29. One reason that Bedrosian did not begin to report his foreign bank accounts was that he was worried there would be adverse consequences for his past noncompliance. Dep. 203:11-21.

30. Bedrosian never sought a second opinion regarding the advice Handleman gave him, even after Handleman suffered strokes that caused Bedrosian to question whether he should obtain another opinion. Dep. 159:11-23.

31. After Handleman died, Bedrosian hired an accountant named Sheldon Branksy to prepare his tax returns, starting with tax year 2007. Dep. 159:5-10.

32. Bedrosian did not tell Branksy about his previous conversation with Handleman regarding his foreign bank accounts. Dep. 78:6-10.

Bedrosian Only Disclosed his UBS Accounts when he Thought he Would be Caught

33. Bedrosian did not report his foreign bank accounts or the income he earned from those accounts for over thirty years. Dep. 66:9-15, 69:7-24, 162:12-19, 203:11-25, 204:1-19.

34. When he filed his 2007 tax return in October 2008, Bedrosian reported on his Schedule B that he had foreign financial accounts in Switzerland.² Gov. Ex. N.

35. Bedrosian did not report any of the \$220,000 in income that he earned from his foreign accounts on his 2007 tax return, but he did report the domestic investment income that he earned. Gov. Ex. N.

36. He did not think there was a difference between the foreign and domestic interest and income that he had earned. Dep. 194:23-25, 195:1-3.

37. Bedrosian provided the information to Branksy to fill out his 2007 FBAR form. Dep. 240:9-12.

² A Schedule B is a schedule that must be filed with a federal income tax return if the individual earned 1) interest, 2) ordinary dividends, or 3) had a financial interest in or signature authority over a financial account. <https://www.irs.gov/uac/about-schedule-b-form-1040>.

38. Bedrosian filed an FBAR for 2007 in October, 2008 and only reported the account ending in 5316. Gov. Ex. O; Dep. 238:3-5, 12-17. He did not report the existence of the account ending in 6167. Gov. Ex. O.

39. In 2007, Bedrosian's account ending in 5316 had assets totaling approximately \$240,000. Gov. Ex. J. His account ending in 6167 had assets totaling approximately \$2.3 million in 2007. Gov. Ex. K.

40. Bedrosian knew that his UBS accounts had a balance of over \$1 million and that he had an account ending in 6167. Dep. 106:23-35, 107:1-6, 16-23, 174:2-8.

41. At some point after 2008, UBS informed Bedrosian that it would be turning over his account information to the United States government. Bedrosian had previously believed that his name was not "on the list to be provided." Gov. Ex. F; Dep. 183:9-24, 184:7-22, 185:4-22.

42. Around the same time, Bedrosian hired professionals to resolve his noncompliance regarding his foreign accounts and to "pay the piper." Dep. 85:11-24, 185:4-9.

43. In 2010, Bedrosian amended his 2007 tax return to report the approximately \$220,000 of income he had earned from his UBS accounts. Gov. Exs. F, P.

44. Bedrosian also amended his 2007 FBAR form to report both of his UBS accounts instead of just the account ending in 5316. Gov. Ex. O.

45. Bedrosian applied for the Voluntary Disclosure Program, but his application was denied because the Internal Revenue Service had already received information about his account ending in 6167. Gov. Exs. F, Q.

46. For 2003 to 2007 alone, Bedrosian had failed to report approximately \$375,000 in income that he earned from his UBS accounts. Gov. Ex. F.

47. Bedrosian claims he never reviewed his tax returns, amended tax returns, or FBAR forms before signing them. Dep. 72:10-13, 82:20-23, 240:2-8.

48. At one point when Bedrosian was concerned his FBAR form had not been filed, he easily found the form on the Internal Revenue Service's website, filled it out, and mailed it. Dep. 163:18-25, 164:1-23, 178:12-16, 179:8-17.

49. Bedrosian conducted his own tax research and questioned his accountant when he believed a particular return had not been filed. Gov. Ex. R.

Penalty Assessment

50. On January 30, 2015, the Internal Revenue Service assessed a penalty in the amount of \$975,789.17 against Bedrosian for his willful failure to report his UBS account ending in 6167 for the 2007 tax year. Beasley Decl. ¶ 3; Gov. Ex. A.

51. The penalty was calculated as 50% of Bedrosian's account balance for the account ending in 6167, or fifty percent of \$1,951,578.34, which equals \$975,789.17. Gov. Ex. D.

52. Notice of the assessment and demand for payment of the penalty was mailed to Bedrosian on the same day as the assessment, January 30, 2015. Beasley Decl. ¶ 4; Gov. Ex. B.

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53. The amount due as of September 10, 2015 was \$1,007,345.48, which includes interest and a late payment penalty. Beasley Decl. ¶ 5; Gov. Ex. C.

Date: November 30, 2016

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